

Briefing
National Energy Policy
Friday, July 24, 2020

July 30, 2020, Noon-2:30 pm EDT

EPA-IOGCC Task Force Meeting

- Agenda finalized and will be distributed today
- Waiting on OGC approval on Briefing Book update, should have that today
- Carrie is setting up short brief next week for Doug and task force members.

Acquisitions

Chevron announces Noble buyout for \$5B

Chevron has been shopping for assets since last year when Oxy outbid Chevron for Anadarko. The total enterprise value of the deal is \$13 billion (including \$8 billion debt), with Chevron assuming Noble's debt. This is an all stock deal; Noble stockholders will receive Chevron stock.

Bankruptcy

Baker Hughes, the 2nd largest US oil and gas service company, filed bankruptcy this week.

NYSE Delisting

Chesapeake Energy was delisted this week from the New York Stock Exchange following their bankruptcy filing.

State O&G Regulation

New Mexico released its proposed "methane" rule on 7/20 with rule changes at both the Environment Department (NMED) and Energy, Minerals and Natural Resources (EMNRD). Of note, the NMED proposed to regulate VOCs and NOx. The EMNRD rule seeks to achieve an industrywide rate of 98% captured natural gas by the end of 2026. That would be achieved by reducing the amount of natural gas that is vented, flared or leaked. EMNRD will require measurement equipment for vented or flared gas on wells permitted after

Pipelines

BIA orders shutdown of Tesoro High Plains Pipeline (THPP) in North Dakota

On July 2 the BIA told Marathon Petroleum Corp. that it was operating part of the Tesoro High Plains pipeline system across the Fort Berthold Indian Reservation "without the consent of individual Indian landowners" and must cease operation of the pipeline. It also must pay a partial payment to affected parties (23 of 50 land tracts comprising 50 acres) \$187 million within 30 days.

Marathon has 30 days to pay or appeal; BIA ordered immediate shutdown of the pipeline.

Operating since 1953, the pipeline renegotiates easements every 20 years. The operator negotiated an agreement with the tribal government in 2013 (they own 10 parcels) but have not reached a settlement with more than 400 tribal members. Marathon last offer to tribal members was \$66,000 per acre.

THPP throughput capacity is 250,000 BOPD. A portion of its route parallel's Dakota Access Pipeline (DAPL).

AG Overturns

New England Natural Gas Ban

Massachusetts Attorney General struck down a Brookline, MA ban on installing natural gas infrastructure for space heating and hot water. Brookline is a suburb of Boston. Some communities in California have enacted similar restrictions.

Pipelines

Dakota Access Pipeline (DAPL)

No information yet available on July 23 hearing.

DAPL has appealed Aug. 5 shutdown order, US Court of Appeals for the District of Columbia issued an administrative stay on lower court's order until July 23 to allow time to submit briefs.

US Rig Count

From Baker Hughes as of July 24, 2020

251 this week

253 last week

695 one year ago (-73% decrease)

TX 103 (41% of total)

CO 5, OK 10, ND 10, NM 51, PN 20

126 in Permian Basin (50% of total)

Oil Production Notes

Next EIA production release for May-2020 production is set for 7/31/2020.

Preliminary ND oil production for May-2020 is 858,000 BOPD, a 29% decrease from April-2020 and a 42% decrease from their all-time high in Oct-2019.

This will likely move ND to the third largest state producer and advance New Mexico to the second largest producer.

Oil Price on 7/24/2020 @ 10 am CDT

WTI (Sep) trading at \$41.05/Bbl.

WTI (Oct) trading at \$41.26/Bbl.

EIA Gas Storage Report for week of 7/17, reported 7/23:

3,215 BCF, up from 3,178 BCF previous week, 2,559 BCF one year ago

Five-year average is 2,779 BCF for this week.

2018 and 2019 max fill was about 4,000 BCF, so we're about 80% full.

Coal

Hawaii (S.B. 2629) has joined Oregon, New York, and Washington to require utilities to eliminate coal fired EGU by December 31, 2022. Hawaii's only coal burning EGU was already slated to close in 2022; it's responsible for 13% of the state's total generation. The Governor is expected to sign the bill.